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GENERAL

1. Views on Rokossovsky appointment in Poland--US Minister Schoenfeld in Bucharest considers the appointment of Marshal Rokossovsky as Polish Minister of Defense and Commander in Chief of the Polish Army as "authoritative confirmation" of the general Soviet policy toward integration of Soviet and Satellite military systems envisaged in the secret military protocols of the various Soviet-Satellite Mutual Assistance Pacts. Schoenfeld discounts the view that Rokossovsky will assume the role of an all-Satellite defense coordinator, pointing out that the Soviet military problem in Poland is primarily related to the German situation, whereas the principal Soviet concern in the Balkans is a hostile Yugoslavia. Moreover, Schoenfeld cites past Soviet policy toward the Cominform and the Council of Economic Mutual Assistance as indicative of Soviet reluctance to delegate effective power over the Satellites as a whole to a headquarters outside the USSR.

(CIA Comment: CIA concurs in the above estimate.)

2. French views on Austrian Army--The French Minister in Vienna has intimated to US Minister Erhardt that he was recommending to the French Government that the question of the establishment of an Austrian Army not be discussed with the USSR at this time.

THE AMERICAS

3. PANAMA: Situation reported improving--In reporting developments in Panama since Arnulfo Arias became President, US Ambassador Davis expresses his belief that the

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Panamanian situation is improving; that Arias has a large following and is gaining adherents daily; and that influential sectors of the US business community now favor early recognition. Davis adds that the Arias government may soon be able to meet three conditions for recognition: de facto control, ability and willingness to meet obligations, and the acquiescence of the great majority of the people. In assessing possible future developments, Davis comments that the greatest uncertainty locally is the outcome of the struggle of the government to free itself from the now thoroughly discredited police clique that placed it in power. Davis believes that although the police have thus far refused to accept any solution involving the resignation of present police leaders, Arias cannot accept police domination. According to Davis, Arias will probably avoid a direct clash with the police and will eventually outwit the present police leadership.

Meanwhile, the Department of State has informed Ambassador Davis of its intention to exchange views on recognition with other American Republics, centering its inquiry on the present regime's control of administration and territory and its ability and willingness to meet international obligations.